

CHAPTER 7 TRUSTEE QUESTIONNAIRE ON INTERNAL CONTROLS

Directions for the trustee: Please complete and return this internal control questionnaire (ICQ) to this office by _____. A yes response does not require a comment (unless otherwise indicated). A no response requires a thorough comment in the space provided (attach additional pages as necessary). If you have not yet encountered the situation described, please indicate how you would handle the situation if it comes up in the future. References to “you” or “trustee” refer to the chapter 7 trustee personally. Where possible, references to the 2001 edition of the Handbook for Chapter 7 Trustees are shown in parentheses. This questionnaire is available on disk, upon request.

I. General Information

Trustee name: _____

Initial Appointment Date: _____ Judicial District: _____

Other profession (if any): _____

II. System of Internal Controls

	Y = YES N = NO	Y	N
A	Banking		
1	Do you or your staff open estate bank accounts as soon as funds are received? (Handbook 9-1) If no, comment:		
2	a) Are estate funds always deposited into the appropriate estate accounts? (Handbook 9-1) If no, comment: <i>Under no circumstances may monies of separate estates be aggregated or commingled. Further, bankruptcy-related funds may not be deposited to the trustee's business, personal or law firm trust accounts. (Handbook 9-1)</i>		
	b) If estate funds are inadvertently, or otherwise, commingled with other estate accounts, law firm trust accounts, or any other non-estate accounts: (1) what mechanism or procedures do you have in place to discover the commingling?		
	(2) how do you correct the error?		

	Y = YES N = NO	Y	N
3	a) Do you use a single banking institution for the deposit of estate funds? (<i>Handbook 9-1</i>) If no, comment:		
	b) Are all estate accounts maintained at a depository approved by the United States Trustee? (<i>Handbook 9-1, 9-4</i>) If no, comment: <i>List all banks used to hold chapter 7 bankruptcy estate monies.</i>		
4	a) Do you or your staff immediately obtain a federal tax identification number for individual estates? (<i>Handbook 9-3</i>) If no, comment:		
	b) If yes, do all accounts reflect the estate's tax identification number(s) on Form 2? (<i>Handbook 9-9 and Forms -8</i>) If no, comment:		
5	a) Do you deposit estate funds directly into an interest bearing account, unless circumstances, such as those described at Handbook 9-2, warrant keeping funds in a non-interest bearing account? (<i>Handbook 9-1 to 9-2</i>) If no, comment:		
	b) Are estate funds kept in an interest-bearing account until you are ready to distribute the funds to creditors, in accordance with local UST policy and the Handbook? (<i>Handbook 8-37 to 8-38</i>) If no, comment:		
	c) If an estate has substantial funds that are going to be on hand for an extended period of time, do you consider higher yield investments such as Certificates of Deposit? (<i>Handbook 9-2 to 9-3</i>) If no, comment:		
	d) Are separate Form 2s created for each checking, savings and investment account? (<i>Handbook 9-9</i>) If no, comment:		
6	a) Do you promptly notify the United States Trustee when a large (i.e., \$100,000 or more) amount of funds will be received? (<i>Handbook 9-4</i>) If no, comment:		
	b) Describe your procedures for monitoring bank balances and appropriate bond amounts:		
7	Are bank statements and blank checks captioned with the bankruptcy case name and number in the style of "Estate of Jane Smith, Debtor, John Jones, Trustee, Case No. 98-0000"? (<i>Handbook 9-4 and 9-20</i>) If no, comment:		

	Y = YES N = NO	Y	N
8	Do checks contain the statement, "Void if Not Cashed in 90 Days"? (<i>Handbook 9-20</i>) If no, comment:		
9	a) Are deposits slips and blank check stock kept in a limited access location to prevent unauthorized access and use? (<i>Handbook 9-16</i>) If no, comment:		
	b) Where are the deposit slips and blank check stock stored?		
	c) Who has access to the deposit slips and blank check stock?		
10	Are unopened bank statements given directly to you, upon receipt, by the person who receives or picks up incoming mail? (<i>Handbook 9-15</i>) If no, comment:		
11	Do you review the bank statements and canceled checks each month for unauthorized deposits or withdrawals, alterations, or unusual endorsements? (<i>Handbook 9-15</i>) If no, comment:		
12	Are bank statements reconciled monthly to Form 2? (<i>Handbook 9-15</i>) If no, comment:		
13	a) Are the bank reconciliations initialed and dated by the trustee? (<i>Handbook 9-15</i>) If no, comment:		
	b) Are the bank reconciliations initialed and dated by the preparer, if prepared by someone other than the trustee? (<i>Handbook 9-15</i>) If no, comment:		
14	Do you or your staff promptly follow-up on reconciling items detected during the bank reconciliation process? (<i>Handbook 9-3 to 9-4; 9-15 to 9-17</i>) If no, comment: <i>Prompt follow-up on NSF checks, stale-dated disbursement checks, and other reconciling items increases the likelihood that you will be able to locate the payer or payee, get the service charge reversed, and otherwise rectify the problem. It also reduces the likelihood of potential defalcation.</i>		

	Y = YES N = NO	Y	N
15	(a) If a check has not cleared within 90 days, do you or your staff void the check and promptly request a stop payment?) (<i>Handbook 9-16</i>)		
	(b) Do you approve the stop payment request in writing either: (<i>Handbook 9-16</i>) (1) in a letter to the bank (with a copy maintained in the estate file)? Or (2) by initialing and dating the computer system's transmission log (which evidences the electronic transmittal of the stop payment request)?		
	c) (1) Do you, or do you oversee your staff's efforts to, contact the payee, determine the correct address, if necessary, and otherwise make arrangements to promptly re-issue the check? (2) If a staff person handles these tasks, is it someone not involved in the initial check preparation and authorization? (<i>Handbook 9-16</i>) Who performs these tasks: _____		
	d) If it is necessary to cancel a stop payment request, do you approve the cancellation in writing either: (<i>Handbook 9-16</i>) (1) in a letter to the bank (with a copy maintained in the estate file)? Or (2) by initialing and dating the computer system's transmission log (which evidences the electronic transmittal of the stop payment request)? If no to any question, comment:		
	16	Do you use a log or other tracking system to formally record NSF checks (deposits that are dishonored by the payer's bank) and monitor them until they are resolved or collected? (<i>Handbook 9-17</i>) If no, comment:	
17	Are service charges and income tax withholdings, if incurred, promptly reversed? (<i>See Handbook 9-3 to 9-4 and 9-6 for an exception regarding service charges incurred in operating cases.</i>) If no, comment:		

	Y = YES N = NO	Y	N
B	Receipts		
1	<u>Cash Receipts Log</u> a) Do you and your staff maintain a cash receipts log for <u>all</u> incoming receipts (except wire transfers)? (<i>Handbook 9-1</i>) Note: As used herein, the term “cash” may include currency, checks (including money orders), certificates of deposit, treasury bills, and other negotiable instruments. (<i>Handbook 9-1</i>)		
	b) Is the log used exclusively for the chapter 7 operation? (<i>Handbook 9-1</i>)		
	c) Does the log list the payer, date received, case number or name, amount, purpose (if appropriate), and date deposited? (<i>Handbook 9-1</i>)		
	d) Are entries in the log handwritten or, if not, does the computerized log comply with the Handbook requirements? (<i>Handbook 9-1</i>)		
	e) Is the log maintained by the person who opens the mail and endorses the incoming checks? (<i>Handbook 9-1</i>) Who records receipts in the log? _____		
	f) (1) Do you compare the cash receipts log to the deposit slips and bank statements on a test basis? (<i>Handbook 9-15</i>) How often? _____ How many deposits do you review? _____ (2) Do you initial the receipts log as evidence of this comparison? (<i>Handbook 9-15</i>)		
	If no to any question, comment:		
2	<u>Handling and Deposit of Funds</u> a) Are currency and incoming checks recorded in the receipts log immediately upon receipt? (<i>Handbook 9-16 and 9-17</i>) If no, comment:		
	b) Are incoming checks immediately restrictively endorsed in writing or by stamping “For deposit only to the Estate of _____”? (<i>Handbook 9-16</i>) If no, comment:		
	c) Are copies of the incoming checks (or other instruments) kept together with the other supporting documents (e.g., transmittal letters, sale orders or notices, reports of sale, settlement documents) in the appropriate estate file (for asset cases) or with the cash receipts log (for non-estate funds and no-asset cases)? (<i>Handbook 9-1, 9-19 to 9-20, and 9-21</i>) If no, comment:		
	d) Are payers instructed to make checks payable to “Janine Doe, Trustee” or to the “Estate of _____”? (<i>Handbook 9-16</i>) If no, comment:		

	Y = YES N = NO	Y	N
	e) (1) Are all funds deposited as soon as possible after receipt (generally within two business days)? (<i>Handbook 9-2 and 9-17 to 9-18</i>)		
	(2) Are copies of the deposit slips (or duplicate deposit slips) maintained in the appropriate estate file? (<i>Handbook 9-20</i>)		
	(3) If funds cannot or should not be immediately deposited (see Handbook 9-18), is the disposition of the funds resolved within 30 days after receipt of the funds, or in cases requiring a court order for disposition, 21 dates after entry of a final order? (<i>Handbook 9-19</i>)		
	(4) Do you record the final disposition of the funds in the cash receipts log (e.g., date deposited, date and reason turned over to debtor or another party)? (<i>Handbook 9-1, 9-19</i>)		
	If no to any question, comment:		
	f) (1) Are the funds safely secured until deposited or turned over to the debtor or other third party? (<i>Handbook 9-17 and 9-18</i>) If no, comment:		
	(2) If yes, where and how are the funds secured?		
	g) Are receipts posted to Form 2 contemporaneously with the deposit of the funds? (<i>Handbook 9-6</i>) If no, comment:		
3	<u>Special Procedures for Handling Cash</u>		
	a) Do you have a numbered, duplicate receipt book? (<i>Handbook 9-14</i>)		
	b) If currency (cash) is ever received, would you or your staff provide a numbered, duplicate receipt to the payer? (<i>Handbook 9-17</i>)		
	c) (1) If you or your staff cannot immediately (i.e., the same day) deposit the currency, are the funds immediately converted to a cashier's check or money order? (<i>Handbook 9-17</i>)		
	(2) If a cashier's check or money order cannot be obtained, are the funds immediately deposited the following day? (<i>Handbook 9-17</i>)		
	d) When your staff handles currency, do you verify that the amount shown on the numbered receipt matches the amount of the cashier's check or money order (less any transaction fee) and the amount deposited? (<i>Handbook 9-17</i>)		
	If no for any question, comment:		

	Y = YES N = NO	Y	N
4	<p><u>Special Procedures for Earnest Monies</u> In conjunction with the sale of estate assets, you may occasionally receive and hold earnest monies (e.g., buyer's deposits).</p> <p>a) Do you deposit these funds to the appropriate estate account immediately upon receipt? (<i>Handbook 9-18</i>)</p>		
	b) If no, have you established, with United States Trustee approval, a separate trust account specifically for this purpose? (A separate account for each estate is necessary.) (<i>Handbook 9-18</i>)		
	c) If you do not follow either of these procedures, explain the procedure that you follow:		
	See also <i>Handbook</i> Appendix G.		
C	Disbursements		
1	Are all disbursements by estate check? (That is, counter checks are never used, and wire transfers and cashier's checks are used only upon United States Trustee approval, unless applicable law or regulation requires otherwise.) (<i>Handbook 9-19</i>) If no, comment:		
2	Do <u>you</u> personally sign all checks? (<i>Handbook 9-19</i>) If no, comment:		
3	a) Is there a stamp with your signature maintained in your office?		
	b) If yes, do <u>you</u> maintain sole control of it? If no, comment:		
	c) If yes, do you ever utilize the signature stamp for signing checks? (<i>Handbook 9-19</i>) If yes, comment:		
4	Do you ever sign blank checks? (<i>Handbook 9-19</i>) If yes, comment:		
5	Do you ensure that all checks are made out to a specific payee, and not payable to "cash," "bearer" or "currency"? (<i>Handbook 9-19</i>) If no, comment:		
6	Do you review supporting documentation (orders, invoices) for each disbursement? (<i>Handbook 9-19</i>) If no, comment:		
7	a) Do you record your approval for payment on the supporting documentation? (<i>Handbook 9-20</i>) If no, describe the procedures used to indicate your approval to disburse estate funds:		

	Y = YES N = NO	Y	N
	b) does the computer software prevent re-use of numbers assigned to checks that have been voided? (<i>Handbook 9-11 and 9-16</i>)		
	c) does the computer software preclude duplicate check numbers, such that, for example, the numerical sequence of manual checks does not duplicate the computer generated numbers? (<i>Handbook 9-11</i>) If no for any question, explain the mitigating controls that prevent duplicate checks and manipulation of the check sequence:		
14	If an automated system is not used, does the bank provide pre-printed and pre-numbered checks? (<i>Handbook 9-19</i>) If no, comment:		
15	Do you hand-number starter checks, if provided by the bank, upon receipt? (<i>Handbook 9-19</i>) If no, comment:		
16	Do you promptly void starter checks when no longer needed? (<i>Handbook 9-19</i>) If no, comment:		
D	Segregation of Duties – Part 1 If you do not have any employees, indicate here: _____, skip this section and go on to E. Automated Data Processing Systems		
1	a) Do you actively supervise all employees who perform chapter 7 duties? (<i>Handbook 9-15</i>) If no, explain:		
	b) If yes, describe how you supervise your employees:		
2	a) Do you and your employees work in the same location? (<i>Handbook 9-15</i>)		
	b) If no, where else are your employees located:		
	c) How do you oversee the employees who work in other locations?		

Segregation of Duties – Part 2

Please indicate below the individuals who perform the cash handling and recordkeeping duties for your chapter 7 trustee operation. In the matrix on the next page, please indicate who performs each of the listed duties. Place your initials and each employee's initials in one of the columns as marked. Use a check mark for each duty performed by each person. If more than one person performs the same duty, the box for each person should be checked. Include any special oversight procedures in the remarks column.

Persons performing duties:

<u>Initials:</u>	<u>Name of person:</u>	<u>Initials:</u>	<u>Name of person:</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Segregation of Duties Matrix

	Duties	Responsible Persons					Remarks
	Initials:						
a	Receives mail						
b	Opens mail						
c	Endorses checks for deposit only						
d	Records receipts in receipts log						
e	Posts receipts to Form 2						
f	Prepares deposits						
g	Mails or makes deposits at bank						
h	Compare, on test basis, receipts log to deposit slips & bank statements*						
i	Prepares disbursements						
j	Posts disbursements to Form 2						
k	Reviews supporting documents*						
l	Authorizes disbursements*						
m	Maintain custody of blank check stock						
n	Signs checks*						
o	Mails checks						
p	Receives unopened bank stms.						
q	Reviews bank statements*						
r	Opens bank accounts						
s	Closes bank accounts						
t	Authorizes bank fund transfers						
u	Arranges for stop payment orders on checks outstanding over 90 days						
v	Authorizes stop payment orders*						
w	Verifies payee information on stop payment; promptly re-issues the check						
	Reconciles bank statements to:						
x	- Form 2						
y	- Receipts log						
z	Reviews bank reconciliations*						
a	Prepares Forms 1, 2, & 3						
bb	Accesses ADP system						

* These duties must be performed by the trustee. (*Handbook 9-15*)

	Y = YES N = NO	Y	N
E	Automated Data Processing Systems To be completed by trustees who use automated systems. (<i>Handbook 9-11 to 9-14</i>)		
1	Have you utilized the password and access control features of your software to limit access by employees (users) to only those features needed to perform their assigned job duties? (<i>Handbook 9-11</i>) If no, comment:		
2	a) Does each user have a unique password? (<i>Handbook 9-11</i>)		
	b) Are passwords changed at least annually? (<i>Handbook 9-11</i>)		
	c) Are passwords changed when an employee leaves or no longer works on chapter 7 matters? (<i>Handbook 9-11</i>)		
	d) Have you changed the generic password used by the software provider during set-up and training? If no for questions 2(a), (b), (c) or (d), comment:		
3	a) In systems which enable access via modem to the estate bank accounts, have you established password or access controls such that only you or, at most, one authorized employee can electronically open bank accounts and access or transfer funds between accounts within the same estate? (<i>Handbook 9-11</i>)		
	b) Does the software prevent the closure of estate bank accounts electronically? (<i>Handbook 9-11</i>)		
	c) Does the software prevent the electronic transfer of funds between accounts from different estates or to non-estate accounts? (<i>Handbook 9-1, 9-11</i>) If no for any question, comment:		
	d) Who, besides yourself, is authorized to electronically open accounts and make transfers between accounts within the same estate?		
4	Is the programming tamper-proof, such that the security features and other programming cannot be overridden? If no, comment:		

	Y = YES N = NO	Y	N
5	a) Do you have a copy of the computer system user's manual? (<i>Handbook 9-13</i>)		
	b) Have you and your staff read the user's manual?		
	c) Do you and your staff receive periodic training from the software provider? If no for question 5(a), (b), or (c), comment:		
6	Is the computer stored in a limited access area that prevents unauthorized physical access? (<i>Handbook 9-13</i>) If no, comment:		
7	If the computer system has separate (external) software or peripheral equipment that is necessary to use to access and/or operate the system (e.g., a diskette that works like a key to access the system or bank, or a special toner cartridge for printing checks), are these items locked up when not in use? (<i>Handbook 9-13</i>) If no, comment:		
8	If applicable, is the system accessible via network only to authorized employees who are assigned chapter 7 responsibilities? (<i>Handbook 9-13</i>) If no, comment:		
9	Are adequate protections in place to prevent unauthorized access to the system via modem? (<i>Handbook 9-13</i>) If yes, describe these protections: If no, comment:		
10	Does the system prevent the deletion of entries posted on Forms 1 and 2? (<i>Handbook 9-12 to 9-13</i>) If no, comment: Note with regard to deletions on Forms 1 and 2: If an asset is entered in error on Form 1, the asset description should be changed to "void" and the asset reference number may not be re-used. All reference numbers should appear sequentially on Form 1, without any gaps. On Form 2, a transaction may not be deleted after the transaction has been saved (or the enter key has been struck).		

	Y = YES N = NO	Y	N
11	<p>Does the system prevent changes to the date, check number, payee/payer, and amount of transactions posted to Form 2? (<i>Handbook 9-12</i>) If no, comment:</p> <p>Note with regard to changes on Form 1 and Form 2: on Form 1, for example, it is permissible to revise an asset description or to split up assets that were originally recorded as a group. On Form 2, it is permissible to change a transaction description, reference number, or transaction code (some software programs utilize codes to generate TFRS and other reports). These changes should be explained in a footnote on the Form. The date, check number, payee/payer, and amount of the transactions posted to Form 2 may never be changed. If a correction is needed, a reversing and correcting entry must be made.</p>		
12	a) Is the computer system backed-up daily? (<i>Handbook 9-13</i>)		
	b) Are successive back-up copies retained (i.e., a back-up copy from each of the past five days)?		
	c) Are the back-up copies stored off-site at least weekly? (<i>Handbook 9-13</i>)		
	d) Is the back-up media (e.g., tapes, diskettes) periodically tested or rotated to ensure its continued reliability? (<i>Handbook 9-13</i>)		
	e) Who performs the back-up procedure?		
	If no for questions 12(a) - (d), comment:		
F	File Maintenance		
1	a) Are estate files well-organized? (<i>Handbook 9-20</i>)		
	b) Is filing up-to-date?		
	c) How often are documents filed?		
	d) Are the records maintained in a secure location? (<i>Handbook 9-21</i>)		
	e) Where are the files kept?		
	If no for questions 1(a), (b), or (d), comment:		
2	Are financial records readily accessible and segregated in the file? (<i>Handbook 9-20</i>) If no, comment:		

	Y = YES N = NO	Y	N
3	a) Do you have a business interruption/disaster recovery plan for the estate financial and administrative records, as well as for the computer system and data? <i>(Handbook 9-21)</i> If no, comment:		
	b) If yes, describe your plan (or attach a copy):		
4	For asset cases, are case files and accounting records maintained for at least two years after the case is closed? <i>(Handbook 9-21)</i> If no, comment:		
5	For no-asset cases, have you retained in an estate file all of the documentation that supports your independent investigation and determination that the case is a no-asset case? This information must be kept for a period of at least two years after the case is closed. <i>(Handbook 9-21)</i> If no, comment:		
G	Time Records		
1	Do you maintain time records for every asset case in accordance with the Handbook and local rules? <i>(Handbook 8-29)</i> If yes, briefly describe how the records are maintained: If no, comment:		
H	Control Procedures in Trustee's Absence		
1	Briefly describe the controls in place to handle receipts, disbursements, and other matters when you or a key staff person are away from the office (for example, how do you ensure that deposits are timely made while you or the person who makes the deposits are out of town):		

I certify that the foregoing responses are accurate and correct to the best of my knowledge.

Trustee's signature: _____ Date signed: _____